

**REPORT OF THE AUDIT OF THE
ROCKCASTLE COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2014**



**ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

**AUDIT EXAMINATION OF THE
ROCKCASTLE COUNTY FISCAL COURT**

June 30, 2014

The Auditor of Public Accounts has completed the audit of the Rockcastle County Fiscal Court for fiscal year ended June 30, 2014.

We have issued an unmodified opinion, based on our audit on the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Rockcastle County, Kentucky. In accordance with OMB Circular A-133, we have issued an unmodified opinion on the compliance requirements that are applicable to Rockcastle County's major federal programs: CFDA #97.040.

Financial Condition:

The Rockcastle County Fiscal Court had total receipts of \$8,645,450 and disbursements of \$9,046,509 in fiscal year 2014. This resulted in a total ending fund balance of \$501,371, which is a decrease of \$401,059 from the prior year.

Report Comments:

- 2014-001 The Fiscal Court Should Ensure Appropriations Do Not Exceed Approved Budgets
- 2014-002 The Jailer Should Ensure Daily Receipts Are Batched Daily And Compliant With KRS 64.840
- 2014-003 The Fiscal Court Should Ensure Compliance With KRS 42.455 Regarding Local Government Economic Assistance (LGEA) Disbursements
- 2014-004 The Fiscal Court Should Prepare And Present A Schedule Of Expenditure Of Federal Awards To The Department For Local Government
- 2014-005 The Fiscal Court Should Ensure All Timesheets Are Prepared And Approved Prior To Payment
- 2014-006 The Jail Lacks Adequate Segregation Of Duties Over Receipts, Disbursements, And Reconciliations
- 2014-007 The Jailer Should Maintain Supporting Documentation Over Inmate Commissary Purchases And Sales Taxes Collected/Paid
- 2014-008 The Jailer Should Improve Procedures Over Reconciling Inmate Accounts

Deposits:

The fiscal court deposits were insured and collateralized by bank securities or bonds.

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ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Lori H. Flanery, Secretary

Finance and Administration Cabinet

Honorable Doug Bishop, Rockcastle County Judge/Executive

Honorable George "Buzz" Carloftis, Former Rockcastle County Judge/Executive

Members of the Rockcastle County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Rockcastle County, Kentucky, for the year ended June 30, 2014, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in more fully in Note 1, the financial statement is prepared by Rockcastle County, Kentucky on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Rockcastle County, Kentucky as of June 30, 2014, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of Rockcastle County, Kentucky as of June 30, 2014, and its cash receipts and disbursements, for the year then ended, in accordance with the accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

Emphasis of Matters

As discussed in Note 1 to the financial statements, the Rockcastle County Fiscal court adopted new accounting guidance on a regulatory basis. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statement, the Rockcastle County Fiscal court would have included some component entities under accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board. However, under the regulatory basis they are no longer required components of the reporting entity. Our opinion is not modified with respect to this matter.

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Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of Rockcastle County, Kentucky. The budgetary comparison schedules and capital asset schedule are presented for purposes of additional analysis and are not a required part of the financial statement, however they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The budgetary comparison schedules, capital asset schedule, and schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules, capital asset schedule, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statement.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 29, 2015 on our consideration of Rockcastle County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying schedule of findings and questioned costs included herein, which discusses the following report comments:

- 2014-001 The Fiscal Court Should Ensure Appropriations Do Not Exceed Approved Budgets
- 2014-002 The Jailer Should Ensure Daily Receipts Are Batched Daily And Compliant With KRS 64.840
- 2014-003 The Fiscal Court Should Ensure Compliance With KRS 42.455 Regarding Local Government Economic Assistance (LGEA) Disbursements
- 2014-004 The Fiscal Court Should Prepare And Present A Schedule Of Expenditure Of Federal Awards To The Department For Local Government
- 2014-005 The Fiscal Court Should Ensure All Timesheets Are Prepared And Approved Prior To Payment
- 2014-006 The Jail Lacks Adequate Segregation Of Duties Over Receipts, Disbursements, And Reconciliations

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Other Reporting Required by Government Auditing Standards (Continued)

- 2014-007 The Jailer Should Maintain Supporting Documentation Over Inmate Commissary Purchases And Sales Taxes Collected/Paid
2014-008 The Jailer Should Improve Procedures Over Reconciling Inmate Accounts

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Adam H. Edelen', written in a cursive style.

Adam H. Edelen
Auditor of Public Accounts

June 29, 2015

ROCKCASTLE COUNTY OFFICIALS

For The Year Ended June 30, 2014

Fiscal Court Members:

George "Buzz" Carloftis	County Judge/Executive
Lee Earl Adams	Magistrate
William Denny	Magistrate
Bill McKinney	Magistrate
Gary Burdette	Magistrate
Ralph Allen	Magistrate

Other Elected Officials:

William D. Reynolds	County Attorney
James E. Miller	Jailer
Danetta Ford Allen	County Clerk
Teresa Vanzant	Circuit Court Clerk
Mike Peters	Sheriff
Margaret Offutt	Property Valuation Administrator
Billy Dowell	Coroner

Appointed Personnel:

Joseph B. Clontz	County Treasurer
Patricia Martin	Chief Financial Officer

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ROCKCASTLE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS

For The Year Ended June 30, 2014

ROCKCASTLE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS

For The Year Ended June 30, 2014

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 2,578,288	\$	\$
In Lieu Tax Payments		42,153	
Excess Fees	82,184		
Licenses and Permits	19,015		
Intergovernmental	437,474	1,885,156	790,754
Charges for Services	13,126		10,332
Miscellaneous	255,505	44,089	10,040
Interest	3,223	627	128
Total Receipts	<u>3,388,815</u>	<u>1,972,025</u>	<u>811,254</u>
DISBURSEMENTS			
General Government	1,108,189	18,000	
Protection to Persons and Property	722,644		972,648
General Health and Sanitation	76,703	1,778	
Social Services	18,657		
Recreation and Culture	207,153		
Roads		1,764,738	
Debt Service	377,278	182,270	107,043
Administration	284,190	402,493	257,476
Total Disbursements	<u>2,794,814</u>	<u>2,369,279</u>	<u>1,337,167</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>594,001</u>	<u>(397,254)</u>	<u>(525,913)</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds		580,000	540,000
Transfers To Other Funds	(1,141,000)		
Total Other Adjustments to Cash (Uses)	<u>(1,141,000)</u>	<u>580,000</u>	<u>540,000</u>
Net Change in Fund Balance	(546,999)	182,746	14,087
Fund Balance - Beginning (Restated)	704,029	32,354	13,474
Fund Balance - Ending	<u>\$ 157,030</u>	<u>\$ 215,100</u>	<u>\$ 27,561</u>
Composition of Fund Balance			
Bank Balance	\$ 640,991	\$ 877,519	\$ 27,716
Less: Outstanding Checks	(483,961)	(662,419)	(155)
Fund Balance - Ending	<u>\$ 157,030</u>	<u>\$ 215,100</u>	<u>\$ 27,561</u>

The accompanying notes are an integral part of the financial statement.

ROCKCASTLE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2014
(Continued)

Budgeted Funds					
Local Government Economic Assistance Fund	Forestry Fund	Fairgrounds Fund	911 Fund	Local Economic Planning Committee Fund	Chemical Stockpile Emergency Preparedness Program Fund
\$	\$ 1,828	\$	\$ 260,151	\$	\$
255,454				808	1,885,054
4,318		11,279	2,650		
127	3		51		
<u>259,899</u>	<u>1,831</u>	<u>11,279</u>	<u>262,852</u>	<u>808</u>	<u>1,885,054</u>
51,048					
116,540	2,555		192,608	2,939	1,856,303
96,938					
10,950		10,921			
9,980					
44,841			56,336	72	24,347
<u>330,297</u>	<u>2,555</u>	<u>10,921</u>	<u>248,944</u>	<u>3,011</u>	<u>1,880,650</u>
(70,398)	(724)	358	13,908	(2,203)	4,404
	1,000		15,000		5,000
	<u>1,000</u>		<u>15,000</u>		<u>5,000</u>
(70,398)	276	358	28,908	(2,203)	9,404
80,624	183	2,269	21,140	3,706	778
<u>\$ 10,226</u>	<u>\$ 459</u>	<u>\$ 2,627</u>	<u>\$ 50,048</u>	<u>\$ 1,503</u>	<u>\$ 10,182</u>
\$ 10,656	\$ 459	\$ 2,627	\$ 52,506	\$ 1,503	\$ 243,339
(430)			(2,458)		(233,157)
<u>\$ 10,226</u>	<u>\$ 459</u>	<u>\$ 2,627</u>	<u>\$ 50,048</u>	<u>\$ 1,503</u>	<u>\$ 10,182</u>

The accompanying notes are an integral part of the financial statement.

ROCKCASTLE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2014
(Continued)

	<u>Unbudgeted Funds</u>	
	<u>Jail Commissary Fund</u>	<u>Total Funds</u>
RECEIPTS		
Taxes	\$	\$ 2,840,267
In Lieu Tax Payments		42,153
Excess Fees		82,184
Licenses and Permits		19,015
Intergovernmental		5,254,700
Charges for Services		23,458
Miscellaneous	51,633	379,514
Interest		4,159
Total Receipts	<u>51,633</u>	<u>8,645,450</u>
DISBURSEMENTS		
General Government		1,177,237
Protection to Persons and Property		3,866,237
General Health and Sanitation		175,419
Social Services		18,657
Recreation and Culture	68,871	297,895
Roads		1,774,718
Debt Service		666,591
Administration		1,069,755
Total Disbursements	<u>68,871</u>	<u>9,046,509</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(17,238)</u>	<u>(401,059)</u>
Other Adjustments to Cash (Uses)		
Transfers From Other Funds		1,141,000
Transfers To Other Funds		(1,141,000)
Total Other Adjustments to Cash (Uses)		
Net Change in Fund Balance	(17,238)	(401,059)
Fund Balance - Beginning	<u>43,873</u>	<u>902,430</u>
Fund Balance - Ending	<u>\$ 26,635</u>	<u>\$ 501,371</u>
Composition of Fund Balance		
Bank Balance	\$ 26,676	\$ 1,883,992
Less Outstanding Checks	<u>(41)</u>	<u>(1,382,621)</u>
Ending Fund Balance	<u>\$ 26,635</u>	<u>\$ 501,371</u>

The accompanying notes are an integral part of the financial statement.

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TO THE FINANCIAL STATEMENT**

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ROCKCASTLE COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2014

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Rockcastle County includes all budgeted and unbudgeted funds under the control of the Rockcastle County Fiscal Court. Budgeted funds included within the reporting entity are those funds presented in the county's approved annual budget and reported on the quarterly reports submitted to the Department for Local Government. Unbudgeted funds may include non-fiduciary financial activities that are within the county's control. Unbudgeted funds may also include any corporation to act as the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

The following entities: Rockcastle County Industrial Development Association would have been included in the reporting entity under accounting principles generally accepted in the United State of America (GAAP) as established by the Government Accounting Standards Board. However under the regulatory basis they are no longer are required components of the reporting entity.

B. Basis of Accounting

The financial statement is presented on a regulatory basis of accounting, which is a basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board. This basis of accounting involves the reporting of fund balances and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) to meet the financial reporting requirements of the Department for Local Government and the laws of the Commonwealth of Kentucky.

This regulatory basis of accounting differs from GAAP primarily because the financial statement format does not include the GAAP presentations of government-wide and fund financial statements, cash receipts are recognized when received in cash rather than when earned and susceptible to accrual, and cash disbursements are recognized when paid rather than when incurred or subject to accrual.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

ROCKCASTLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Road Fund - This fund is for road and bridge construction and repair. The primary source of receipts for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary sources of receipts for this fund are grants from the state and federal governments.

Forestry Fund - The primary purpose of this fund is to account for the forestry expenses of the county. The primary source of receipts for this fund through state grants.

Fairgrounds Fund - The primary purpose of this fund is to account for fairground expenses of the county. The primary source of receipts for this fund is through leasing or rental of property.

911 Fund - The primary purpose of this fund is to account for emergency personnel of the county. The primary source of the receipts for this fund is through telephone fees collected.

Local Emergency Planning Committee (LEPC) - The primary purpose of this fund is to account for emergency planning expenses of the county. The primary source of receipts for this fund is state grants.

Chemical Stockpile Emergency Preparedness Program Fund (CSEPP) - The primary purpose of this fund is to account for emergency equipment and personnel expenses of the county. The primary source of receipts for this fund is federal and state grants.

Unbudgeted Funds

The fiscal court reports the following unbudgeted fund:

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit and to enhance the well-being of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Commissary Fund.

ROCKCASTLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed disbursement to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Jail Commissary Fund to be budgeted because the fiscal court does not approve the expenses of these funds.

E. Rockcastle County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Rockcastle County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statement of Rockcastle County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

F. Deposits and Investments

The government's fund balance is considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition. The government's fund balance includes cash and cash equivalents and investments.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

ROCKCASTLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Long-term Obligations

The fund financial statement recognizes bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as disbursements. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as disbursements. Debt proceeds are reported as other adjustments to cash.

Note 2. Deposits

The fiscal court maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of June 30, 2014, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2014.

	General Fund	Total Transfers In
Road Fund	\$ 580,000	\$ 580,000
Jail Fund	540,000	540,000
Forestry Fund	1,000	1,000
911 Fund	15,000	15,000
CSEPP Fund	5,000	5,000
Total Transfers Out	<u>\$ 1,141,000</u>	<u>\$ 1,141,000</u>

Reason for transfers:

To move resources from the General Fund, for budgetary purposes, to the funds that will expend them.

ROCKCASTLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 4. Trust Funds

Trust funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments.

The fiscal court has the following agency trust funds:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the Jail Inmate Fund as of June 30, 2014 was \$4,694.

Health Reimbursement Account - To account for county contributions to individual health accounts maintained for each employee.

Note 5. Long-term Debt

A. General Obligation Refunding Bonds, Series 2007

The Rockcastle County Fiscal Court issued obligations of \$1,325,000 dated April 12, 2007 and payable in 19 annual installments beginning June 1, 2007 and semi-annual interest payments on the first of June and December at varying rates from 4.1% to 4.55%. The Fiscal Court issued the bonds for the purpose of refinancing the Kentucky Area Development Districts Financing Trust Debt, issued for the purpose of refinancing jail renovations and a fire truck for Brindle Ridge Fire Department. As of June 30, 2014, bonds outstanding were \$875,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest
2015	\$ 65,000	\$ 39,247
2016	70,000	36,453
2017	70,000	33,372
2018	75,000	30,292
2019	80,000	26,993
2018-2022	425,000	79,585
2023-2025	90,000	4,095
Totals	<u>\$ 875,000</u>	<u>\$ 250,037</u>

B. Financing Obligation – Land Purchase

On May 18, 2009, Rockcastle County entered into a lease agreement with the Kentucky Associations of Counties Leasing Trust Program in the amount of \$2,500,000 to purchase land. Principal and interest, at a variable rate, is paid monthly for a period of 20 years. The principal balance due at June 30, 2014 was \$1,071,766. Future lease principal and interest requirements are:

ROCKCASTLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 5. Long-term Debt (Continued)

B. Financing Obligation – Land Purchase (Continued)

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 97,000	\$ 44,645
2016	108,000	40,335
2017	108,000	35,734
2018	113,000	31,116
2019	120,000	26,112
2020-2023	<u>525,766</u>	<u>51,197</u>
Totals	<u>\$ 1,071,766</u>	<u>\$ 229,139</u>

C. Financing Obligation - Fire Truck Lease

On November 13, 2007, Rockcastle County Fiscal Court entered into a capital lease agreement with Kentucky Association of Counties Leasing Trust for the purchase of a fire truck for the Livingston Fire Department. The principal was \$65,000 at an effective interest rate of 4.56% for a period of 10 years, with principal and interest paid monthly. The principal balance outstanding as of June 30, 2014 was \$24,737. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 6,945	\$ 1,110
2016	7,185	818
2017	7,434	518
2018	<u>3,173</u>	<u>124</u>
Totals	<u>\$ 24,737</u>	<u>\$ 2,570</u>

ROCKCASTLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 5. Long-term Debt (Continued)

D. Financing Obligation - Road Resurfacing

On June 22, 2009, Rockcastle County Fiscal Court entered into a capital lease agreement with Kentucky Association of Counties Leasing Trust for the purpose of resurfacing roads. The principal was \$2,000,000 at an effective interest rate of 3% for a period of 15 years, with principal and interest paid monthly. The principal balance outstanding as of June 30, 2014 was \$1,353,807. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest
2015	\$ 126,247	\$ 55,875
2016	131,661	50,460
2017	137,379	44,742
2018	143,324	38,797
2019	149,540	32,581
2020-2023	<u>665,656</u>	<u>62,830</u>
Totals	<u>\$ 1,353,807</u>	<u>\$ 285,285</u>

E. Anchor Building

On April 12, 2012, Rockcastle County Fiscal Court entered into a capital lease agreement with Fifth Third Bank for the purpose of purchasing a building. The principal was \$3,000,000 at an effective interest rate of 4.55% for a period of 20 years, with principal and interest paid monthly. The principal balance outstanding as of June 30, 2014 was \$2,756,703. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest
2015	\$ 105,360	\$ 74,494
2016	111,120	71,524
2017	116,880	68,396
2018	122,640	65,109
2019	128,400	61,664
2020-2022	<u>2,172,303</u>	<u>154,619</u>
Totals	<u>\$ 2,756,703</u>	<u>\$ 495,806</u>

ROCKCASTLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 5. Long-term Debt (Continued)

F. Financing Obligation - Industrial Authority

The Rockcastle County Industrial Development Authority entered into a loan with Community Trust Bank to construct a building. The total amount of the loan was \$2,700,000. The interest rate is 4% with principal and interest to be paid monthly for a period of 15 years. The principal outstanding at June 30, 2014 was \$1,475,431. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest
2015	\$ 147,207	\$ 49,664
2016	152,063	44,808
2017	157,080	39,791
2018	162,262	34,610
2019	167,614	29,257
2020-2024	<u>689,205</u>	<u>60,543</u>
Totals	<u>\$ 1,475,431</u>	<u>\$ 258,673</u>

G. Note Payable - Kentucky Infrastructure Authority

On June 1, 1994, Rockcastle County borrowed \$364,572 from the Kentucky Infrastructure Authority for the purpose of constructing a water line for the Western Rockcastle Water Association. The loan was for a period of 20 years at 2.95% interest with 40 semi-annual payments in the amount of \$12,131. The loan was paid off as of June 30, 2014.

H. Changes In Long-term Debt

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 940,000	\$	\$ 65,000	\$ 875,000	\$ 65,000
Financing Obligations	<u>7,313,782</u>		<u>631,338</u>	<u>6,682,444</u>	<u>482,759</u>
Total Long-term Debt	<u>\$ 8,253,782</u>	<u>\$ 0</u>	<u>\$ 696,338</u>	<u>\$ 7,557,444</u>	<u>\$ 547,759</u>

ROCKCASTLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 6. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 18.89 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 35.70 percent.

The county's contribution for FY 2012 was \$388,650, FY 2013 was \$417,767, and FY 2014 was \$410,475.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Hazardous employees whose participation began on or after July 1, 2003, earn fifteen dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives ten dollars per month for insurance

ROCKCASTLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 6. Employee Retirement System (Continued)

benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 7. Deferred Compensation

On June 1990, the Rockcastle County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 8. Health Reimbursement Account

The Rockcastle Fiscal Court, in Fiscal Court Order No. 10 established a health reimbursement account on October 1, 2011 to provide employees an additional health benefit. The County has contracted with Administrative Information Management (AIM), Inc, a third-party administrator, to administer the plan. The plan provides a debit card to each eligible employee providing \$500 each year to pay for qualified medical expenses. Employees may also contribute additional pre-tax funds through payroll deduction.

Note 9. Insurance

For the fiscal year ended June 30, 2014, Rockcastle County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 10. Related Party Transactions

During the fiscal year June 30, 2014, Rockcastle County paid \$2,221 to Brodhead Farm Equipment for equipment and supplies. Brodhead Farm Equipment is owned by Magistrate Bill McKinney's brother.

ROCKCASTLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 11. Prior Period Adjustments

General Fund:

Ending Cash Balance Prior Year	\$ 702,132
Prior Year Voided Checks	<u>1,897</u>
Ending Cash Balance Prior Year (adjusted)	<u>\$ 704,029</u>

Capital Assets:

Ending Capital Asset Balance - Prior Year	\$ 21,936,438
Add: Land omitted from previous year that was used in construction of a fire dept	5,000
Less: Correction on vehicle purchase prices	<u>(17,730)</u>
Ending Capital Asset Balance - Prior Year	<u>\$ 21,923,708</u>

Note 12. Long Term Receivables

The Rockcastle County Fiscal Court has entered into a financing obligation on behalf of Western Rockcastle County Water Association for the purpose of constructing a water line. The loan was for a period of 20 years at 2.95 percent interest with 40 equal semi-annual payments in the amount of \$12,131 plus fees. The Western Rockcastle County Water Association has agreed to pay all debt service requirements on the financing obligation. The final payment to Rockcastle County Fiscal Court was made during FY 2014.

ROCKCASTLE COUNTY
BUDGRTARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2014

ROCKCASTLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2014

GENERAL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 2,344,125	\$ 2,573,297	\$ 2,578,288	\$ 4,991
In Lieu Tax Payments	10,500	10,500		(10,500)
Excess Fees	54,936	82,184	82,184	
Licenses and Permits	18,750	19,519	19,015	(504)
Intergovernmental	282,220	507,322	437,474	(69,848)
Charges for Services	20,170	20,170	13,126	(7,044)
Miscellaneous	205,000	238,838	255,505	16,667
Interest	4,500	4,500	3,223	(1,277)
Total Receipts	2,940,201	3,456,330	3,388,815	(67,515)
DISBURSEMENTS				
General Government	1,105,241	1,211,827	1,108,189	103,638
Protection to Persons and Property	442,037	837,470	722,644	114,826
General Health and Sanitation	71,326	84,699	76,703	7,996
Social Services	27,165	28,063	18,657	9,406
Recreation and Culture	123,000	241,814	207,153	34,661
Debt Service	473,248	385,055	377,278	7,777
Administration	598,992	335,043	284,190	50,853
Total Disbursements	2,841,009	3,123,971	2,794,814	329,157
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	99,192	332,359	594,001	261,642
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(524,192)	(1,036,388)	(1,141,000)	(104,612)
Total Other Adjustments to Cash (Uses)	(524,192)	(1,036,388)	(1,141,000)	(104,612)
Net Change in Fund Balance	(425,000)	(704,029)	(546,999)	157,030
Fund Balance Beginning	425,000	704,029	704,029	
Fund Balance - Ending	\$ 0	\$ 0	\$ 157,030	\$ 157,030

ROCKCASTLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

ROAD FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
In Lieu Tax Payments	\$ 46,500	\$ 46,500	\$ 42,153	\$ (4,347)
Intergovernmental	1,927,018	2,017,677	1,885,156	(132,521)
Miscellaneous	6,000	44,999	44,089	(910)
Interest	900	900	627	(273)
Total Receipts	1,980,418	2,110,076	1,972,025	(138,051)
DISBURSEMENTS				
General Government	18,000	18,000	18,000	
General Health and Sanitation		2,088	1,778	310
Roads	856,200	1,833,544	1,764,738	68,806
Debt Service	182,840	186,211	182,270	3,941
Capital Projects	435,000			
Administration	496,878	502,587	402,493	100,094
Total Disbursements	1,988,918	2,542,430	2,369,279	173,151
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(8,500)	(432,354)	(397,254)	35,100
Other Adjustments to Cash (Uses)				
Transfers From Other Funds		400,000	580,000	180,000
Total Other Adjustments to Cash (Uses)		400,000	580,000	180,000
Net Change in Fund Balance	(8,500)	(32,354)	182,746	215,100
Fund Balance Beginning	8,500	32,354	32,354	
Fund Balance - Ending	\$ 0	\$ 0	\$ 215,100	\$ 215,100

ROCKCASTLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 877,290	\$ 877,490	\$ 790,754	\$ (86,736)
Charges for Services	7,000	7,267	10,332	3,065
Miscellaneous	11,000	12,206	10,040	(2,166)
Interest	150	150	128	(22)
Total Receipts	895,440	897,113	811,254	(85,859)
DISBURSEMENTS				
Protection to Persons and Property	982,616	1,012,136	972,648	39,488
Debt Service	107,288	107,288	107,043	245
Administrative	264,150	331,164	257,476	73,688
Total Disbursements	1,354,054	1,450,588	1,337,167	113,421
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(458,614)	(553,475)	(525,913)	27,562
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	448,114	540,000	540,000	
Total Other Adjustments to Cash (Uses)	448,114	540,000	540,000	
Net Change in Fund Balance	(10,500)	(13,475)	14,087	27,562
Fund Balance Beginning	10,500	13,475	13,474	(1)
Fund Balance - Ending	\$ 0	\$ 0	\$ 27,561	\$ 27,561

ROCKCASTLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 200,000	\$ 255,454	\$ 255,454	\$
Miscellaneous Revenue	3,500	3,500	4,318	818
Interest	150	150	127	(23)
Total Receipts	203,650	259,104	259,899	795
DISBURSEMENTS				
General Government	51,826	56,455	51,048	5,407
Protection to Persons and Property	103,680	124,145	116,540	7,605
General Health and Sanitation	53,862	97,567	96,938	629
Social Services	1,800	1,800		1,800
Recreation and Culture	10,000	10,950	10,950	
Road Facilities	70,000	58,500	9,980	48,520
Administrative	25,870	65,699	44,841	20,858
Total Disbursements	317,038	415,116	330,297	84,819
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(113,388)	(156,012)	(70,398)	85,614
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	75,388	75,388		(75,388)
Total Other Adjustments to Cash (Uses)	75,388	75,388		(75,388)
Net Change in Fund Balance	(38,000)	(80,624)	(70,398)	10,226
Fund Balance Beginning	38,000	80,624	80,624	
Fund Balance - Ending	\$ 0	\$ 0	\$ 10,226	\$ 10,226

ROCKCASTLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

FORESTRY FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,700	\$ 1,820	\$ 1,828	\$ 8
Interest	20	20	3	(17)
Total Receipts	1,720	1,840	1,831	(9)
DISBURSEMENTS				
Protection to Persons and Property	2,560	2,560	2,555	5
Administration		463		463
Total Disbursements	2,560	3,023	2,555	468
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(840)	(1,183)	(724)	459
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	690	1,000	1,000	
Total Other Adjustments to Cash (Uses)	690	1,000	1,000	
Net Change in Fund Balance	(150)	(183)	276	459
Fund Balance Beginning	150	183	183	
Fund Balance - Ending	\$ 0	\$ 0	\$ 459	\$ 459

ROCKCASTLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

FAIRGROUNDS FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 15,500	\$ 17,162	\$ 11,279	\$ (5,883)
Total Receipts	15,500	17,162	11,279	(5,883)
DISBURSEMENTS				
Recreation and Culture	14,125	15,895	10,921	4,974
Administration	4,375	4,267		4,267
Total Disbursements	18,500	20,162	10,921	9,241
Net Change in Fund Balance	(3,000)	(3,000)	358	3,358
Fund Balance Beginning	3,000	3,000	2,269	(731)
Fund Balance - Ending	\$ 0	\$ 0	\$ 2,627	\$ 2,627

ROCKCASTLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

911 FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 260,000	\$ 260,000	\$ 260,151	\$ 151
Miscellaneous	3,500	3,500	2,650	(850)
Interest	50	50	51	1
Total Receipts	263,550	263,550	262,852	(698)
DISBURSEMENTS				
Protection to Persons and Property	211,850	216,022	192,608	23,414
Administration	61,700	83,668	56,336	27,332
Total Disbursements	273,550	299,690	248,944	50,746
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(10,000)	(36,140)	13,908	50,048
Other Adjustments to Cash (Uses)				
Transfers From Other Funds		15,000	15,000	
Total Other Adjustments to Cash (Uses)		15,000	15,000	
Net Change in Fund Balance	(10,000)	(21,140)	28,908	50,048
Fund Balance Beginning	10,000	21,140	21,140	
Fund Balance - Ending	\$ 0	\$ 0	\$ 50,048	\$ 50,048

ROCKCASTLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

LEPC FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,600	\$ 1,600	\$ 808	\$ (792)
Total Receipts	1,600	1,600	808	(792)
DISBURSEMENTS				
Protection to Persons and Property	2,000	3,165	2,939	226
Administration	3,361	2,196	72	2,124
Total Disbursements	5,361	5,361	3,011	2,350
Net Change in Fund Balance	(3,761)	(3,761)	(2,203)	1,558
Fund Balance Beginning	3,761	3,761	3,706	(55)
Fund Balance - Ending	\$ 0	\$ 0	\$ 1,503	\$ 1,503

ROCKCASTLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

CSEPP FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 3,193,773	\$ 3,193,773	\$ 1,885,054	\$ (1,308,719)
Total Receipts	3,193,773	3,193,773	1,885,054	(1,308,719)
DISBURSEMENTS				
Protection to Persons and Property	3,168,625	3,162,354	1,856,303	1,306,051
Administration	25,148	37,197	24,347	12,850
Total Disbursements	3,193,773	3,199,551	1,880,650	1,318,901
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(5,778)	4,404	10,182
Other Adjustments to Cash (Uses)				
Transfers From Other Funds		5,000	5,000	
Total Other Adjustments to Cash (Uses)		5,000	5,000	
Net Change in Fund Balance		(778)	9,404	10,182
Fund Balance Beginning		778	778	
Fund Balance - Ending	\$ 0	\$ 0	\$ 10,182	\$ 10,182

ROCKCASTLE COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2014

Note 1. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

Note 2. Excess of Disbursements Over Appropriations

General Fund Transfers To Other Funds line item overspent exceeded budgeted appropriations by \$104,612.

ROCKCASTLE COUNTY
SUPPLEMENTARY SCHEDULE
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014

ROCKCASTLE COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2014

The fiscal court reports the following schedule of capital assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 648,833	\$	\$	\$ 648,833
Construction In Progress		1,402,144		1,402,144
Buildings	11,902,763	442,772		12,345,535
Vehicles (Restated)	1,465,317	32,700	9,700	1,488,317
Equipment	1,666,680	156,475	17,425	1,805,730
Infrastructure	6,240,115	906,357		7,146,472
 Total Capital Assets	 <u>\$ 21,923,708</u>	 <u>\$ 2,940,448</u>	 <u>\$ 27,125</u>	 <u>\$24,837,031</u>

ROCKCASTLE COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - SCHEDULE OF CAPITAL ASSETS

June 30, 2014

Note 1. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported as other information. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 1,500	10-75
Buildings and Building Improvements	\$ 1,000	10-60
Equipment	\$ 1,000	2-10
Vehicles	\$ 1,000	10-25
Infrastructure	\$ 1,000	10-60

ROCKCASTLE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

ROCKCASTLE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2014

Federal Grantor Program Title Grant Name (CFDA #)	Pass-Through Grantor's Number	Expenditures
<u>U.S. Department of Homeland Security</u>		
Passed Through Kentucky Department of Military Affairs: Chemical Stockpile Emergency Preparedness Program (CFDA 97.040)		\$ 1,880,650
<u>U.S. Department of Agriculture</u>		
Passed Through Kentucky Department for Local Government: Schools and Roads - Grants to States (CFDA 10.665)		<u>164,180</u>
Total Cash Expenditures of Federal Awards		<u>\$ 2,044,830</u>

ROCKCASTLE COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2014

Note 1 - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Rockcastle County, Kentucky and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Note 2 - Determination of Major Program

The Type A program for the fiscal year is any program for which total expenditures of federal awards exceed \$300,000 for fiscal year 2014 or were deemed high risk. The major program tested was:

- Chemical Stockpile Emergency Preparedness Program

Note 3 - Noncash Expenditures

There were no noncash expenditures of federal awards for fiscal year 2014.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Doug Bishop, Rockcastle County Judge/Executive
The Honorable George "Buzz" Carloftis, Former Rockcastle County Judge/Executive
Members of the Rockcastle County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statement Performed In Accordance With Government Auditing Standards**

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Rockcastle County Fiscal Court for the fiscal year ended June 30, 2014 and the related notes to the financial statement and have issued our report thereon dated June 29, 2015. The Fiscal Court's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Rockcastle County Fiscal Court's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Rockcastle County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Rockcastle County Fiscal Court's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, which are described in the accompanying schedule of findings and questioned as items 2014-004, 2014-005, 2014-006, 2014-007, and 2014-008 that we consider to be significant deficiencies.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Rockcastle County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of findings and questioned costs as items 2014-001, 2014-002, and 2014-003.

County Judge's and Jailer's Responses to Findings

The Rockcastle County Judge's and Jailer's responses to the findings identified in our audit are included in the accompanying comments and recommendations. The County Judge's and Jailer's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Adam H. Edelen
Auditor of Public Accounts

June 29, 2015

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**



ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Doug Bishop, Rockcastle County Judge/Executive
The Honorable George "Buzz" Carloftis, Former Rockcastle County Judge/Executive
Members of the Rockcastle County Fiscal Court

Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With OMB Circular A-133

Independent Auditor's Report

Report on Compliance for Each Major Federal Program

We have audited Rockcastle County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Rockcastle County's major federal programs for the year ended June 30, 2014. Rockcastle County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Rockcastle County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Rockcastle County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Rockcastle County's compliance.

Opinion on Each Major Federal Program

In our opinion, Rockcastle County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.



Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With OMB Circular A-133
(Continued)

Report on Internal Control over Compliance

Management of Rockcastle County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Rockcastle County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Rockcastle County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Adam H. Edelen
Auditor of Public Accounts

June 29, 2015

ROCKCASTLE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2014

ROCKCASTLE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2014

Section I: Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Are any material weaknesses identified?	_____ Yes	__X__ No
Are any significant deficiencies identified not considered to be material weaknesses?	__X__ Yes	_____ None Reported
Is any noncompliance material to financial statements noted?	__X__ Yes	_____ No

Federal Awards

Type of auditor's report issued on compliance for major programs: Unmodified

Internal control over major programs:

Are any material weaknesses identified?	_____ Yes	__X__ No
Are any significant deficiencies identified not considered to be material weaknesses?	_____ Yes	__X__ None Reported
Are any audit findings disclosed that are required to be reported in accordance with U.S. Office of Management and Budget Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, Section .510(a) ?	_____ Yes	__X__ No

Identification of major programs:

CFDA Number and Name of Federal Program or Cluster

CFDA # 97.040 – Chemical Stockpile Emergency Preparedness Program

Enter the dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Is the auditee qualified as a low-risk auditee?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

ROCKCASTLE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2014
(Continued)

Section II: Findings - Financial Statement Audit

State Laws and Regulations

2014-001 The Fiscal Court Should Ensure Appropriations Do Not Exceed Approved Budgets

While reviewing budgetary comparisons for the fiscal year ending June 30, 2014, it was noted that General Fund – Transfers To, exceeded the county’s approved budget. The General Fund – Transfers To Other Funds exceeded the county’s approved budget by \$104,612.

According to KRS 68.300, “Any appropriations made or claim allowed by the fiscal court in excess of any budget fund, and any warrant or contract not within the budget appropriation, shall be void. No member of the fiscal court shall vote for any such illegal appropriation or claim”. The county was not compliant with KRS 68.300.

We recommend the County Treasurer and Finance Officer monitor the budget more closely and the fiscal court amend the county’s budget or transfer necessary appropriations in order to prevent the county from exceeding line-item budget amounts.

Judge/Executive Doug Bishop’s Response: Agree.

2014-002 The Jailer Should Ensure Daily Receipts Are Batched Daily And Compliant With KRS 64.840

During receipts testing at the jail, the auditor noted that receipts were not batched daily. A three part receipt was being utilized; however, the receipts retained by employees who collected the monies daily were thrown away after the deposits were prepared. By not having a daily deposit process in place, funds could go missing or not be properly accounted for. Per KRS 64.840(2), “One (1) copy of the receipt shall be given to the person paying the fine, forfeiture, tax, or fee and one (1) copy shall be retained by the official for his own records. One (1) copy of the receipt shall be retained by the official to be placed with the daily bank deposit.” We recommend the Jailer ensure all funds are properly accounted for on a daily basis and the daily closeout worksheet and receipts are maintained.

Judge/Executive Doug Bishop’s Response: Agree.

Jailer Carlos McClure’s Response: Copies of all receipts are kept, sorted separately daily, and clearly marked with day/month/year on commissary and all money accepted.

2014-003 The Fiscal Court Should Ensure Compliance With KRS 42.455 Regarding Local Government Economic Assistance (LGEA) Disbursements

The county failed to adhere to KRS 42.455 with regards to LGEA disbursements. The fiscal court did not expend 30% of LGEA funds as established in this KRS. As required by KRS 42.455(2), “...Thirty percent (30%) of all moneys in the fund shall be spent on the coal haul road system as described in subsection (7) of this section... .” We recommend the fiscal court ensure compliance with KRS 42.455 for LGEA funds received.

Judge/Executive Doug Bishop’s Response: We will discuss with the Department of Transportation. We did not know if the county has any county coal haul roads, but will expend the required amount on county roads in the future.

ROCKCASTLE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2014
(Continued)

Section II: Findings - Financial Statement Audit (Continued)

Internal Control - Significant Deficiencies

2014-004 The Fiscal Court Should Prepare And Present A Schedule Of Expenditure Of Federal Awards To Department For Local Government

The County received and expended federal grant funds during fiscal year 2014. The Single Audit Act of 1984 established requirements for audits of federal grant funds under OMB Circular A-133 states that any entity that expends more than \$500,000 in federal awards is required to have a single audit conducted. Rockcastle County Fiscal Court met that threshold for one federal program. The Department of Local Government (DLG) requires an accurate Schedule of Expenditures of Federal Awards (SEFA) be maintained and submitted with their quarterly reports. This schedule was not prepared and provided to DLG. Not complying with this increases the risk of misstated financial statements. We recommend the county prepare a SEFA each fiscal year and timely submit it to DLG.

Judge/Executive Doug Bishop's Response: Agree with finding, will see this schedule is completed in the future.

2014-005 The Fiscal Court Should Ensure All Timesheets Are Prepared And Approved Prior To Payment

KRS 337.320 requires that all employers keep a record of the hours worked each day and week by each employee. During our testing of payroll, we noted four (4) employees were not completing a timesheet. One (1) timesheet was calculated incorrectly and had not been signed by the employee or an approving authority. Three (3) other timesheets had not been signed by an approving authority. Improper maintenance and approval of timesheets could lead to inappropriate payment to employees for work provided. Timesheets have not been required for salaried employees in the past. To ensure compliance with KRS 337.320, we recommend all employees, other than elected officials, complete a timesheet. We further recommend the Fiscal Court review timesheets prior to payment for hours worked, accuracy of calculation, and approval by authorized personnel in order to ensure all employees are paid the appropriate amounts.

Judge/Executive Doug Bishop's Response: Agree. Will discuss with supervisors to review timesheets. Treasurer reluctantly agrees.

ROCKCASTLE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2014
(Continued)

Section II: Findings - Financial Statement Audit (Continued)

Internal Control - Significant Deficiencies (Continued)

2014-006 The Jail Lacks Adequate Segregation Of Duties Over Receipts, Disbursements, And Reconciliations

Segregation of duties, or the implementation of compensating controls, is essential for providing protection to employees in the normal course of business. Without proper segregation of duties, inaccurate financial reporting and/or misappropriation of assets can occur.

Due to the limited number of employees, the Jail has a lack of adequate segregation of duties over receipts, disbursements and reconciliations. The bookkeeper prepares deposits and posts these deposits to the receipts ledger. The bookkeeper also prepares and signs checks and posts these disbursements to the disbursements ledger. Furthermore, the bookkeeper is also responsible for reconciling to the bank account. By allowing the same employee to perform all functions relating to receipts, disbursements and reconciliations, the risk increases that errors or fraud could occur without being detected.

Auditors also noted that disbursements are paid without any documentation of approval by the Jailer. The Jailer also has a signature stamp that is used by the bookkeeper and other office personnel.

To adequately protect employees in the normal course of business, and to prevent inaccurate financial reporting and/or misappropriation of assets, we recommend the Jailer implement strong oversight in these areas, either by an employee independent of those functions or by the jailer, such as:

- The Jailer should periodically compare bank deposits to the daily checkout sheet and receipts ledger. Any differences should be reconciled. The Jailer should document this by initialing the bank deposit, the daily checkout sheet, and the receipts ledger.
- The Jailer should review supporting documentation for all disbursements made. The Jailer should also compare disbursements written to the disbursements ledger. The Jailer should document this by initialing the supporting documentation and the disbursements ledger.
- The Jailer should set up the Commissary account to require two signatures on checks, with one being the Jailer's signature.
- The Jailer should maintain access of his signature stamp by keeping it locked up in a secure location with limited access by others.
- The Jailer should compare the bank reconciliation to the balance in the checkbook. Any differences should be reconciled. The Jailer should document this by initialing the bank reconciliation and the balance in the checkbook.

Judge/Executive Doug Bishop's Response: Have discussed this matter with the newly elected jailer. He indicates he will implement changes as personnel allows.

Jailer Carlos McClure's Response: Jailer and Assistant Jailer will be signing and initialing on receipts and deposits of money.

ROCKCASTLE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2014
(Continued)

Section II: Findings - Financial Statement Audit (Continued)

Internal Control - Significant Deficiencies (Continued)

**2014-007 The Jailer Should Maintain Supporting Documenting Over Inmate Commissary Purchases
And Sales Taxes Collected/Paid**

During testing of the inmate accounts and submission/payment of sales taxes, the jailer was unable to locate the signed commissary order forms and the Sales Tax forms to provide to the auditor. The former jailer was unable to produce the necessary reports.

The Jail Commissary does maintain daily commissary order forms, however the current organizational system in place is not efficient. When inmates receive goods from the Commissary, they sign a copy of the order form; however these are not maintained properly by the Commissary. If a problem or dispute occurs between the inmate and the Commissary over charges deducted from the inmates account, the Jailer is not able to research to determine if the correct charges were made. In addition, if the Commissary order forms are destroyed, there is no supporting documentation for reductions in the inmate account balances for commissary purchases.

The auditor was able to look at the cancelled check where the sales taxes for the year were paid; however, the monthly reports were not available. The former jailer was unable to produce the necessary reports. These reports should be maintained with the appropriate supporting documentation to ensure accuracy and proper reporting.

Good internal controls dictate that all decreases in inmate account balances are reviewed and signed by the inmate, and all supporting documentation is maintained. Lack of proper accounting practices and internal controls increases the risk that misstatements of financial activity and/or fraud will occur and go undetected.

We recommend that the daily signed commissary order forms and monthly sales tax reports be maintained and properly supported.

Judge/Executive Doug Bishop's Response: Agree.

Jailer Carlos McClure's Response: All commissary slips are signed by inmates and deputies on a daily basis when commissary is passed. Receipts are filed on a daily basis.

ROCKCASTLE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2014
(Continued)

Section II: Findings - Financial Statement Audit (Continued)

Internal Control - Significant Deficiencies (Continued)

2014-008 The Jailer Should Improve Procedures Over Reconciling Inmate Accounts

During testing of the inmate account at the jail, auditors found that the inmate account is not being properly reconciled. Jail personnel are marking cleared items as reconciled in their accounting software; however the software is not producing a reconciliation that documents the ledger balance in the account. The report that is being generated is a restatement of the checking account statement, not a reconciliation to the ledger balance.

As a result of this, the auditor noted two checks being carried on the commissary account that require action. Check 1651 to King Bottling for \$41.10 and check 1666 to Securus for \$1,881.47. Auditors confirmed with Securus that no outstanding amounts are due from the Detention Center as of June 30, 2014. Jail personnel should confirm with King Bottling that all accounts are up to date. If the amount is due to King Bottling, check 1651 should be voided and reissued to the vendor. If the amount is not due to the vendor, the check should be voided and the amount added back into the balance.

We recommend the jailer improve the reconciliation process. If a reconciliation report is available, it should be printed and attached to the bank statement as evidence that reconciliation between ledger and bank balances is being performed. If a reconciliation report is not available, the jail should find an alternative method of reconciling the bank balance to the ledger balance. This could include a manual reconciliation on the back of the bank statement.

Judge/Executive Doug Bishop's Response: Agree.

Jailer Carlos McClure's Response: Need the process for reconciliation to be updated and reports to be printed out.

Section III: Findings And Questioned Costs - Major Federal Awards Program Audit

None.

Section IV: Summary Schedule of Prior Audit Findings

None.

